

Hearing Date: November 19, 2012
Hearing Time: 10:00 a.m. (Prevailing Eastern Time)

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----)	
In re:)	Case No. 12-12020 (MG)
)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	(Chapter 11)
)	
Debtors.)	Jointly Administered
-----)	

**SUPPLEMENTAL OBJECTION OF THE FROST NATIONAL BANK TO THE
DEBTORS' MOTION TO SELL [DOCKET NO. 61], DEBTORS' INTENT TO ASSUME
AND ASSIGN CERTAIN EXECUTORY CONTRACTS [DOCKET NO. 924], AND
DEBTORS' NOTICE OF SUCCESSFUL BIDDER [DOCKET NO. 1960]**

TO THE HONORABLE MARTIN GLENN, U.S. BANKRUPTCY JUDGE:

The Frost National Bank ("Frost"), a counterparty to a Servicing Agreement, creditor and party-in-interest in the above captioned bankruptcy case, files this Supplemental Objection to the Debtors' Motion to Sell [Docket No. 61] (the "Sale Motion"), Debtor's Intent to Assign Certain Executory Contracts and Proposed Cure Amounts [Docket No. 924] (the "Cure Notice"), and the Debtors' Notice of Successful Bidder [Docket No. 1960] (the "Winning Bid Notice"). In support, Frost respectfully shows the Court as follows:

I. FROST'S OBJECTION

1. On June 11, 2012, Frost filed its Limited Objection to the Debtors' Motion Pursuant to 11 U.S.C. §§ 105, 363(b), (f) and (m) and 1123, and Fed. R. Bankr. P. 2002, 6004

and 9014 for Orders: (a)(i) Authorizing and Approving Sale Procedures, Including Break-Up Fee and Expense Reimbursement; (ii) Scheduling Bid Deadline and Sale Hearing; (iii) Approving Form and Manner of Notice Thereof; and (iv) Granting Related Relief and (b)(i) Authorizing the Sale of Certain Assets Free and Clear of Liens, Claims, Encumbrances and Other Interests; (ii) Authorizing and Approving Asset Purchase Agreements Thereto; (iii) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto; and (IV) Granting Related Relief [Docket No. 286].

2. On or about August 23, 2012, Frost filed its Joinder of The Frost National Bank In RMBS Trustees' Pre-Auction Objection to Debtors' Sale Motion [Dckt. No. 1249].

3. On or about September 28, 2012, Frost filed its Objection to the First Supplemental Notice of the Debtors' Intent to Assume and Assign Certain Executory Contracts, Unexpired Leases of Personal Property, and Unexpired Leases of Nonresidential Real Property, and (ii) Cure Amounts Related Thereto [Docket No. 1651]. These three objections filed by Frost are hereinafter referred to as the "Objections."

4. By this Supplement, Frost reiterates each of the foregoing Objections and confirm that each of the Objections apply to Ocwen Financial Corp. ("Ocwen") as Purchaser.

5. The Debtors must demonstrate adequate assurance of future performance under the Servicing Agreement by Ocwen. As set forth in the Objections, any assignee of the Servicing Agreement will have significant ongoing obligations (financial and otherwise) under the Servicing Agreement, and any assignee must further agree to indemnify Frost for any breach thereof whether occurring before or after the Closing Date, notwithstanding the Debtors' attempt to bifurcate ongoing servicing and indemnification obligations as set forth the proposed order on the Sale Motion. Further, the Debtors must (a) cure outstanding defaults under the Servicing

Agreement and (b) demonstrate that Ocwen will meet the qualitative and financial requirements for a successor servicer under the Servicing Agreement (including approval by various governmental servicing entities) in order to demonstrate adequate assurance of future performance. Further, neither Ocwen nor the Debtors may abrogate through the guise of assignment any of Frost's ongoing rights under the Servicing Agreement including its ownership of the mortgage loans, escrows and payment streams under the Servicing Agreement, its retention of servicing rights as to the mortgages subject to the Servicing Agreement, and all rights of setoff, recoupment, offset or other secured claims in respect of relevant loans, advances, escrows, fees, payments, collateral and collateral proceeds.

II. RESERVATION OF RIGHTS

6. Frost specifically reserves its right to (a) amend, supplement or otherwise modify this Objection, and (b) assert or raise such other and further objections or responses to a possible assumption by the Debtors and assignment to the Purchaser of the Frost Servicing Agreement based on information received from the Debtors, Ocwen or other sources, or compiled by Frost, and with respect to any supplemental or revised notices or pleadings filed by the Debtors or any other party.

WHEREFORE, PREMISES CONSIDERED The Frost National Bank respectfully requests that any order granting the Sale Motion be modified to require that potential purchasers assume all indemnification and qualification obligations under the Frost Servicing Agreement, that Frost's estimated Cure Claim and attorneys' fees be paid as required in the Frost Servicing Agreement, that Frost's property interests, setoff and recoupment rights, and ownership in the Mortgage Loans and their proceeds be preserved, and that Frost have such other and further relief to which it is entitled.

Dated: October 29, 2012.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of October 2012, a true and correct copy of the foregoing was served via the Court's CM/ECF electronic notification system on the parties listed below:

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